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ECR Committeemen Letter No. 201

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

June 10, 1938

TO MEMBERS OF THE AGRICULTURAL CONSERVATION COMMITTEES--
FLUE-CURED TOBACCO COUNTIES

Dear Committeeman:

For the past three months committeemen have worked on the acreage allotments for tobacco and other depleting crops under the Agricultural Conservation Program. These acreage allotments for tobacco are separate from the poundage marketing quotas to be established under the new Farm Act, but they serve as a guide to farmers in anticipating the amount of their poundage marketing quotas.

Farmers had made plans and preparations for 1938 which, if they had been carried out, likely would have resulted in the largest crop of flue-cured tobacco ever grown in the United States. Without a program, farmers might have been faced with a market situation next fall similar to that in 1920 or 1930 and 1931. Certainly prices would have been materially lower than in recent years. Apparently flue-cured tobacco growers had the choice of going ahead with plans for a large crop with a probable bad market situation next fall or of cooperating in a program intended to maintain the favorable situation which has existed in the past four years.

The acreage allotments established under the Agricultural Conservation Program represent about as large a crop as farmers can expect to grow in 1938, if growing conditions are average, and still maintain favorable prices. However, these allotments are much smaller than the acreage farmers had planned to grow and it is natural that there should have been many requests for larger allotments.

With only a short time available in which to explain the program and to complete the large amount of work connected with the establishment of allotments, there have been numerous questions which could not be answered as fully as might be desirable. For the information of committeemen and farmers some of the questions relating to the establishment of allotments are discussed below:

Establishment of Allotments for States

The flue-cured tobacco State allotments for 1938 were established on the basis of the acreage during the past five years, with adjustments for abnormal weather conditions and plant-bed diseases, for small farms, and for trends in acreage.

The adjustment for trends was made by giving greater weight to the 1937 acreage than to the acreage in other years. This was done by taking an average of (1) the five-year average planted and diverted acreage, (2) the State base under the 1937 Agricultural Conservation Program, and (3) the 1937 harvested and diverted acreage. The 1937 harvested and diverted acreage was used for Florida in lieu of the State base under the 1937 Agricultural Conservation Program so as to give partial recognition to the extremely sharp upward trend in that State.

In adjusting for plant-bed diseases (blue-mold) the planted acreage was compared with the reported "intentions to plant" acreage for 1937 and the higher of the two acreages used for each State. While acreage in some of the other years during the five-year period was affected by weather conditions or blue-mold in some States, the effect as among the different States was such as to balance out without the necessity for specific adjustment.

The adjustment for small farms was made by revising the State allotments so as to recognize the differences in the proportion of the tobacco acreage grown on small farms in the several States.

The following tables contain data with respect to the 1937 State allotments:

Table I. Flue-cured Tobacco: Harvested Plus Rented and Diverted Acres, 1933 to 1937, Inclusive.

| | <u>1933</u> | <u>1934</u> | <u>1935</u> | <u>1936</u> | <u>1937</u> |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Virginia | 79,000 | 98,500 | 100,700 | 103,800 | 123,200 |
| North Carolina | 667,800 | 694,700 | 710,500 | 726,800 | 780,800 |
| South Carolina | 103,000 | 102,400 | 109,700 | 107,200 | 126,100 |
| Georgia | 65,800 | 73,300 | 82,800 | 96,400 | 110,700 |
| Florida | 5,000 | 6,500 | 7,900 | 9,100 | 18,300 |

Table II. Data with Respect to 1938 Flue-cured Tobacco Acreage Allotments

| | | Average of (a) 5-yr. average; (b) 1937 State base and (c) 1937 Acreage | 1938 Al- lotment not ad- justed for small farms and new farms | 1938 Al- lotment adjusted for small farms and new farms | Number of Farms | Average allot- ment per Farm |
|-------|-------------------------------------|--|---|--|-----------------------|---------------------------------------|
| | 1937 Intended State Plantings | | | | | |
| Va. | 106,000 | 111,476 | 86,729 | 90,000 | 22,259 | 4.04 |
| N. C. | 647,000 | 750,973 | 584,262 | 590,000 | 110,827 | 5.32 |
| S. C. | 105,000 | 117,026 | 91,047 | 95,000 | 21,904 | 4.34 |
| Ga. | 99,000 | 95,417 | 74,235 | 83,000 | 28,342 | 2.93 |
| Fla. | 10,800 | 13,787 | 10,727 | 13,700 | 5,301 | 2.58 |
| Total | 967,800 | 1,088,679 | 847,000 | 871,700 | 188,633 | 4.62 |

A number of questions have been asked about the 1938 State allotments, most of them based primarily on comparison of the allotments with some one point, such as the 1937 acreage or the ten year average acreage. The real question in connection with the allotments is whether they will permit the establishment of allotments on the same basis for similarly situated farms in each of the States. In other words, fair and reasonable State allotments should permit the same treatment of individual farms on which circumstances are approximately the same, regardless of the State in which the farm may be located. In this connection, it should be noted that the total of all allotments determined for individual farms under uniform instructions in each State are approximately equal to the calculated allotments for the State, and no arbitrary adjustment of individual farm allotments has been required in any State in order to bring them within the State allotments.

Frequently questions have been raised about the allotments without adequate knowledge of the facts and usually in considering a particular farm, or conditions in a particular locality. Since the allotments were determined on the basis of several factors, any comparison made on the basis of one of these factors may lead to erroneous conclusions. When such comparisons are made, attention should be called to this fact and a suggestion made that all factors be taken into consideration.

Establishment of Allotments for Individual Farms

The acreage allotments for individual farms are based on the past acreage of tobacco grown on each farm, adjusted for abnormal weather conditions and plant-bed diseases and in consideration of the land, labor and equipment available for the production of tobacco; crop rotation practices; and the soil and other physical factors affecting the production of tobacco. Comparison of allotments for 1938 can be made best in relation to the past acreage of tobacco.

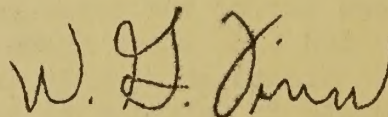
1. For farms on which tobacco has been grown during the past three years or longer, the allotments average about 75 percent of the average harvested and diverted acreage during the three years. However, it should be noted that those farms which made material increases in plantings in 1936 and 1937 did not receive allotments in relation to the full average acreage unless such allotments could be justified on the basis of the land, labor and equipment on such farms in relation to other farms in the locality.
2. For farms on which the acreage grown in 1936 and 1937 exceeded the acreage of earlier years, the allotments average approximately 50 percent of the higher acreage in the two years. Farms on which abnormally large acreages of tobacco were grown in these years as compared with the acreage on similar farms in the locality received allotments lower than this average. The reverse of this is also true.

3. Farms on which tobacco was grown only in 1937 received allotments averaging approximately 40 percent of the 1937 acreage. As in the case of other classes of farms, the allotments are smaller in relation to the 1937 acreage where plantings in 1937 were excessive as compared with the acreage of tobacco on other similar farms in the locality.
4. New tobacco farms in 1938 received small allotments based on land, labor and equipment. Owing to the large number of new farms, the allotments for most of them were either .7 acre or 1.3 acres. The total of the allotments for such farms is about 25,000 acres, or slightly below three percent of the total national allotment.

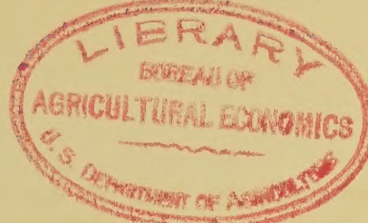
By providing for the establishment of allotments in relation to the past acreage as indicated above, it is thought that all tobacco growers will be given an opportunity to participate in a program to protect their income. Farms on which tobacco has been grown over a long period of years made some larger adjustments than would have been required had it not been for the necessity of giving consideration to farms on which production of tobacco was started in 1936 and 1937 and to new farms in 1938. The new tobacco farms, on the other hand, received smaller allotments in relation to their equipment than farms with a longer tobacco history. None the less they were given allotments which would enable them to participate in the 1938 program. Thus, both groups of farms made adjustments which should tend to prevent continuance of production on an expanded basis that would be disastrous to the entire tobacco growing industry.

It is the opinion of tobacco growers generally that only such an acreage should be grown as there is a reasonable chance to sell at a profit. The 1938 allotments, with average yields, are in line with this principle.

Very truly yours,



W. G. Finn,
Director, East Central Division.



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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, C.C.

June 10, 1938

Dear Committeeman:

A great deal of misunderstanding exists about the importation of foreign cotton to the United States. The purpose of this letter is to give you the facts about cotton imports, both for your own information and to enable you to answer any questions about the situation which may be asked you.

In this connection, a recent article in a Richmond (Va.) newspaper stated that 12,000 bales of cotton from Calcutta, India, were stored in a Richmond warehouse for delivery to a textile company in North Carolina. References to this article and numerous inquiries received by this Division indicate that many people received the impression that this country had suddenly started importing cheap cotton from foreign countries to compete with cotton produced here at home. In some cases impression was given that the adjustment programs were responsible for the imports of cotton.

This is not the case at all. Manufacturers in the United States have been importing cotton of various grades and staple lengths from foreign countries for many years. This is a normal practice. Broadly, three classes of cotton are imported: (1) Especially long and fine staple cotton, such as Egyptian and Peruvian varieties; (2) the so-called rough varieties produced in India and China, and (3) very cheap foreign growths which at times can be imported and sold to advantage in competition with the cheaper cotton mill waste or the very low grades of American cotton. Most of the imported cotton has special qualities not commonly found in cotton produced in the United States.

In 1926, when this country produced a crop of 18,000,000 bales and exported over 11,000,000 bales, imports of foreign cotton to the United States totaled 400,000 bales. During the 10-year period 1923-32, the annual average of cotton imports was 273,000 bales. This dropped to an average of only 163,000 bales for the 4-year period, 1933-36. For the first eight months of the current marketing year, imports of foreign cotton totaled 80,000 bales, as compared with 139,000 bales for the same period a year ago. In other words, the cotton imports of the United States have been steadily declining.

The rough cotton produced in India and China is very short in staple length and the fiber is harsh and wrinkly. The staple length of imported Indian cotton averages about 5/8 inch. It does not compete

with ordinary cottons but it is better suited for mixing with wool in cotton-wool blankets and various kinds of part-wool cloth than cotton produced in the United States. This probably explains the fact that imports of cotton from India and China totaled 74,000 bales for the nine months ending April 30, 1937, a period when there was a strong demand for wool; whereas the imports from India and China totaled only 39,000 bales for the nine months ending April 30, 1938. Costs of the rough growths of India and China have been somewhat higher in recent months than the prices of low to medium grade American cotton, but the rough growths are far cheaper than wool in the manufacture of blankets.

The 12,000 bales of cotton from India which received so much publicity when "spotted" in the Richmond warehouse, were consigned to the Beacon Manufacturing Co., Swannanoa, N. C., blanket manufacturers. The Richmond News Leader of April 22, 1938 quoted officials of the Beacon Manufacturing Co. as stating that this shipment was imported for use in making blankets because being of rougher fibre, "it makes a blanket more nearly resembling wool than those made from domestic staple."

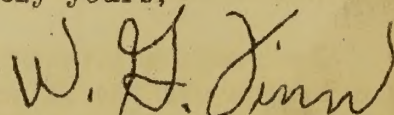
In connection with a discussion of cotton imports, it should be pointed out that a number of years ago the United States Department of Agriculture undertook experiments to determine the possibility of growing rough cotton in this country. Although the experiments indicated that such cotton could be grown here, American growers did not find it advisable to turn from the production of the regular American varieties, for which there was a large dependable outlet, to this specialty product for which the demand is small.

You can readily see that as long as the United States exports cotton to foreign markets the cotton will have to bring as high a price in addition to transportation and handling charges as the exporter could get at home. Otherwise there would be no incentive for exporting cotton. And as long as the price of cotton at Liverpool or other foreign markets is higher than the United States price, there is not much likelihood of foreign countries sending cotton of similar quality to this country in any considerable quantity.

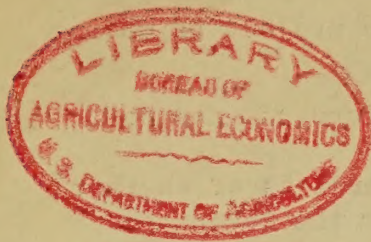
It is safe to say that imports of cotton to the United States will continue to be confined to very small amounts of special types not commonly produced here. There is no ground for believing that there is a trend toward larger imports.

You will be doing a service to the cotton producers of your neighborhood by keeping them posted concerning this and other phases of the cotton situation.

Sincerely yours,



Director, East Central Division



UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.

July 15, 1938.

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USE OF PHOSPHATE UNDER AAA PROGRAM

Dear Committeeman:

Under the conservation phase of the Triple-A Program, the Secretary of Agriculture is authorized to promote soil conservation by making grants of aid to farmers. A provision has been included in the 1938 Farm Program under which the Agricultural Adjustment Administration is making triple superphosphate available to producers for use in carrying out soil-building practices. A similar provision also was included in the 1937 program.

The triple superphosphate that is being made available to farmers under the program is a highly concentrated phosphatic fertilizer. It averages 45 percent or more of available phosphoric acid, or two or three times the phosphate content of the usual commercial product.

Under the 1937 Agricultural Conservation Program, an agreement was entered into between the AAA and the T. V. A. whereby triple superphosphate developed by the Tennessee Valley Authority was furnished to farmers by the Triple-A. Under the 1938 program, the Agricultural Adjustment Administration has entered into contracts with commercial concerns, as well as with the T. V. A., to make available to farmers this highly concentrated fertilizer.

Method of Procedure

Farmers who obtain this triple superphosphate are required to pay the transportation and handling charges from the loading point to the point of delivery. The amount of payments which farmers could otherwise receive under the program will be reduced in an amount equivalent to the cost of the superphosphate obtained.

A farmer will not be furnished an amount of phosphate equal to more than 80 percent of that part of the maximum payment for the farm to be earned by carrying out soil-building practices.

The procedure for obtaining phosphate is as follows:

Producers submit their request to the office of the County Agricultural Conservation Association in their county. When requests are approved by the county committee for as much as a carload of triple superphosphate, the requests are transmitted to the State AAA office for examination, after which they are forwarded to the Regional office in Washington for approval. The necessary forms and shipping instructions are transmitted to the agency which will supply the phosphate. The fertilizer is then loaded in the cars and shipped to the county in which the order originates. The phosphate obtained under the 1938 Agricultural Conservation Program is to be applied in connection with perennial or biennial legumes, perennial grasses, winter legumes, lespedeza, crotalaria, or permanent pasture. Application in connection with green-manure crops under the 1938 program is limited to these crops.

The following factors are significant in connection with the project of making the triple superphosphate available to farmers:

1. The furnishing of the material is an alternate offer to farmers, and no farmer is obliged to use the product furnished by the AAA.
 2. The cost to the Government is approximately the same regardless of whether the farmer buys the material on the market and gets a payment from the Government, or obtains the material from the Government and receives no payment for applying it.
 3. This highly concentrated form of fertilizer can be shipped more economically than the usual commercial product.
 4. The project may point the way to a partial solution of the problem of credit to be used for the cost of soil building, a problem which is serious with many farmers.
 5. To a large extent the material furnished to farmers represents an addition to, rather than a substitution for, superphosphate which otherwise would be used.
- In 1937 approximately 36,000 farmers in the East Central Region used nearly 25,000 tons of triple superphosphate furnished by the Agricultural Adjustment Administration. This fertilizer was applied to about 364,000 acres of soil-conserving crops, a use not commonly made of fertilizing materials. Of the total amount applied last year, 44 percent was used on legume crops, 31.5 percent on legume and grass mixtures, 22.6 percent on grasses, and 1.9 per cent was applied on green-manure crops.

The following summary for the East Central Region in 1937 shows this information in detail:

| Crop | Number cases | Acres | Tons | Percent of total tons |
|---------------------------------|--------------|-----------|----------|-----------------------|
| Legumes..... | 17,841 | 158,412.7 | 10,612.5 | 44.0 |
| Legumes and grass mixtures..... | 9,484 | 114,759.4 | 7,587.0 | 31.5 |
| Grasses..... | 8,028 | 83,145.3 | 5,466.5 | 22.6 |
| Green manure..... | 953 | 7,789.1 | 462.2 | 1.9 |
| Total..... | 36,306 | 364,106.5 | 24,128.2 | 100.0 |

Farmers in Kentucky used more phosphate under this project in 1937 than any other State in the Region, with more than 27,000 farmers applying 18,000 tons on 258,500 acres. Tennessee was next, 8,000 farmers having applied more than 5,000 tons on 92,000 acres. In Virginia, over 300 farmers used more than 500 tons on approximately 7,500 acres. More than 500 farmers in North Carolina used 369 tons on 6,000 acres.

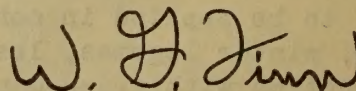
In areas where the triple superphosphate was used extensively in 1937 the amount of phosphoric acid applied to conserving crops was much greater than under the 1936 program, when payments alone were offered.

Up to July 15, orders have been placed for 26,530 tons of triple superphosphate to be used in connection with the 1938 program. The quantity ordered by States is as follows:

| | | | |
|---------------------|-------------|--------------------|------------|
| Kentucky..... | 18,763 tons | Virginia..... | 1,389 tons |
| Tennessee..... | 4,420 tons | West Virginia..... | 1,728 tons |
| North Carolina..... | 230 tons | | |

The material is available in each of the States of the East Central Region.

Very truly yours,



W. G. FINN,
Director, East Central Division.